

MSTC LIMITED
(A Government of India Enterprise)
CIN : L27320WB1964GOI026211

225C, A.J.C BOSE ROAD, KOLKATA – 700020 – INDIA
Website : www.mstcindia.co.in , www.mstcecommerce.com

Ref :MSTC/CS/SE/121

April 02, 2020

1. The Dy. Manager (Listing)
BSE Limited
Phiroze Jeejeebhoy Towers,
Dalal Street, Mumbai 400023.
(Scrip Code : 542597)

2. The Manager, Listing Department
National Stock Exchange of India
Exchange plaza, Bandra Kurla Complex,
Bandra (E), Mumbai – 400015
(Scrip Code : MSTCLTD)

Dear Sirs/Madams

**Sub: Disclosure under Regulation 30 of SEBI (Listing Obligations and Disclosure Requirements)
Regulations 2015 relating to Credit Rating of the Company**

Pursuant to Regulation 30 of SEBI (LODR) Regulations, 2015 enclosed please find a copy of credit rating for bank facilities issued by CARE Ratings Limited in relation to various Bank facilities availed by the Company. There is no change in the rating of the Company. The Rating committee of CARE Ratings Limited has given the following ratings to the Company :

Facilities	Amount (Rs. Crore)	Ratings	Rating Action
Long Term Bank Facilities	620.00	CARE BBB; Stable (Triple B; Outlook : Stable)	Reaffirmed
Short Term Bank Facilities	4,880.00	CARE A3+ (A Three Plus)	Reaffirmed
Total	5500.00 (Rupees Five Thousand and Five Hundred Crore Only)		

This is for your Information and records.

Thanking You,

Yours faithfully,

For MSTC Limited

Sd/

(Ajay Kumar Rai)
Company Secretary & Compliance Officer

Note: The letter is not physically signed as due to the prevention measures of COVID-19, we are working from home.

CARE/KRO/RL/2019-20/3133

Mr. Subrata Sarkar

Director (Finance)

MSTC Limited

225-C, A.J.C. Bose Road,

Kolkata – 700 020

March 31, 2020

Confidential

Dear Sir,

Credit rating for bank facilities

On the basis of recent developments including operational and financial performance of your company for FY19 (audited) and 9MFY20 (provisional), our Rating Committee has reviewed the following ratings:

Facilities	Amount (Rs. crore)	Rating¹	Rating Action
Long term Bank Facilities	620.00	CARE BBB; Stable (Triple B; Outlook: Stable)	Reaffirmed
Short term Bank Facilities	4,880.00	CARE A3+ (A Three Plus)	Reaffirmed
Total	5,500.00 (Rs. Five Thousand and Five Hundred Crore only)		

2. Refer **Annexure 1** for details of rated facilities.
3. The rationale for the rating will be communicated to you separately. A write-up (press release) on the above rating is proposed to be issued to the press shortly, a draft of which is

¹Complete definitions of the ratings assigned are available at www.careratings.com and in other CARE publications.



CARE Ratings Ltd.

CORPORATE OFFICE: 4th Floor, Godrej Coliseum, Somaiya
Hospital Road, Off Eastern Express Highway, Sion (E), Mumbai
- 400 022.

Tel.: +91-22- 6754 3456 • Fax: +91-22- 022 6754 3457

Email: care@careratings.com • www.careratings.com

3rd Floor, Prasad Chambers, (Shagun Mall Bldg.)
10A, Shakespeare Sarani, Kolkatta - 700 071
Tel: +91-33- 4018 1600 / 02 • Fax: +91-33- 4018
1603

enclosed for your perusal as Annexure. We request you to peruse the annexed document and offer your comments if any. We are doing this as a matter of courtesy to our clients and with a view to ensure that no factual inaccuracies have inadvertently crept in. Kindly revert as early as possible. In any case, if we do not hear from you by April 3, 2020, we will proceed on the basis that you have no any comments to offer.

4. CARE reserves the right to undertake a surveillance/review of the rating from time to time, based on circumstances warranting such review, subject to at least one such review/surveillance every year.
5. CARE reserves the right to revise/reaffirm/withdraw the rating assigned as also revise the outlook, as a result of periodic review/surveillance, based on any event or information which in the opinion of CARE warrants such an action. In the event of failure on the part of the entity to furnish such information, material or clarifications as may be required by CARE so as to enable it to carry out continuous monitoring of the rating of the debt instrument, CARE shall carry out the review on the basis of best available information throughout the life time of such instrument. In such cases the credit rating symbol shall be accompanied by "ISSUER NOT COOPERATING". CARE shall also be entitled to publicize/disseminate all the aforementioned rating actions in any manner considered appropriate by it, without reference to you.
6. CARE ratings do not take into account the sovereign risk, if any, attached to the foreign currency loans, and the ratings are applicable only to the rupee equivalent of these loans.
7. Our ratings do not factor in any rating related trigger clauses as per the terms of the facility/instrument, which may involve acceleration of payments in case of rating downgrades. However, if any such clauses are introduced and if triggered, the ratings may see volatility and sharp downgrades.
8. Users of this rating may kindly refer our website www.careratings.com for latest update on the outstanding rating.



9. CARE ratings are **not** recommendations to sanction, renew, disburse or recall the concerned bank facilities.

If you need any clarification, you are welcome to approach us in this regard.

Thanking you,

Yours faithfully,



Akshay Bhalotia
Deputy Manager

akshay.bhalotia@careratings.com



Mamta Muklania
Asst. General Manager

mamta.khemka@careratings.com

Encl.: As above

Disclaimer

CARE's ratings are opinions on the likelihood of timely payment of the obligations under the rated instrument and are not recommendations to sanction, renew, disburse or recall the concerned bank facilities or to buy, sell or hold any security. CARE's ratings do not convey suitability or price for the investor. CARE's ratings do not constitute an audit on the rated entity. CARE has based its ratings/outlooks on information obtained from sources believed by it to be accurate and reliable. CARE does not, however, guarantee the accuracy, adequacy or completeness of any information and is not responsible for any errors or omissions or for the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by CARE have paid a credit rating fee, based on the amount and type of bank facilities/instruments. CARE or its subsidiaries/associates may also have other commercial transactions with the entity. In case of partnership/proprietary concerns, the rating /outlook assigned by CARE is, inter-alia, based on the capital deployed by the partners/proprietor and the financial strength of the firm at present. The rating/outlook may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor in addition to the financial performance and other relevant factors. CARE is not responsible for any errors and states that it has no financial liability whatsoever to the users of CARE's rating.

Our ratings do not factor in any rating related trigger clauses as per the terms of the facility/instrument, which may involve acceleration of payments in case of rating downgrades. However, if any such clauses are introduced and if triggered, the ratings may see volatility and sharp downgrades.



Annexure 1

Details of Rated Facilities

1. Long-term Facilities

A. Fund Based Limits (Cash Credit)

Sr. No.	Name of Bank	Rated Amount (Rs. Crore)	Remarks
1.	Punjab National Bank	200.00	Sanctioned and tied up
2.	Bank of India	100.00	
3.	Indian Bank	150.00	
4.	Union Bank of India	170.00	
	Total	620.00	

Total Long-term Facilities: Rs.620.00 crore

2. Short-term Facilities

A. Fund Based Limits

Sr. No.	Name of Bank	Rated Amount (Rs. Crore)	Facility Type*	Remarks
1.	Punjab National Bank	488.00	Bill Discounting (backed by LC)	Sanctioned
2.	Union Bank of India	400.00		
	Total	888.00		

*LC= Letter of credit

B. Non Fund Based Limits

Sr. No.	Name of Bank	Rated Amount (Rs. Crore)	Facility Type*	Remarks
1.	Punjab National Bank	2045.00	LC/BG	Sanctioned
2.	Bank of India	230.00		
3.	Indian Bank	900.00		
4.	Union Bank of India	400.00		
5.	Proposed	417.00		Proposed
	Total	3,992.00		

*LC= Letter of credit; BG=Bank Guarantee

Total Short-term Facilities: Rs.4,880 crore

Total Facilities: Rs.5,500 crore

Annexure 2
Press Release
MSTC Limited

Ratings

Facilities*	Amount (Rs. crore)	Rating ¹	Rating Action
Long term Bank Facilities	620.00	CARE BBB; Stable (Triple B; Outlook: Stable)	Reaffirmed
Short term Bank Facilities	4,880.00	CARE A3+ (A Three Plus)	Reaffirmed
Total	5,500.00 (Rs. Five Thousand and Five Hundred Crore only)		

**Details of facilities in Annexure-1*

Detailed Rationale & Key Rating Drivers

The ratings assigned to the bank facilities of MSTC Limited (MSTC) continue to draw strength from the long track record of the company, Government of India's (GoI) controlling stake, strong distribution channels and stable source of revenue from service income.

The ratings also factor in the increasing volume of business and improvement in profitability during 9MFY20 (refers to the period April 1 to December 31) though the company had incurred high net loss in FY19 (refers to the period April 1 to March 31) due to significant bad debt write-offs/provisions for long overdue debtors. The ratings also take note of the significant decrease in debt levels of the company during 9MFY20.

The ratings continue to be constrained by the on-going litigations against the company, high collection period, significant dependence on few large customers and intense competition.

Rating Sensitivities

Positive Sensitivities

- Sustaining the improvement in profitability
- Realisation of debtors without substantial losses
- Improvement in capital structure with overall gearing going below 1.50x.

¹Complete definitions of the ratings assigned are available at www.careratings.com and other CARE publications



Negative Sensitivities

- Moderation in profitability
- Increase in net overall gearing beyond 3x
- Any unfavorable outcome of the ongoing litigation impacting the coverage indicators and profitability.

Detailed description of the key rating drivers

Key Rating Strengths

Long and satisfactory track record with GoI's controlling stake and Mini Ratna I status

MSTC was set up in September, 1964 for regulating export of ferrous scrap from India. Since 1991, MSTC has been in direct marketing of melting scrap, coke/coal, iron ore and many other products. Over the years, it has added various new products and services in its portfolio.

MSTC is a Mini Ratna Category-I PSU of GoI, based in Kolkata. Though the government has reduced its stake to 64.75% through IPO of MSTC in March 2019, the controlling stake of GoI remains.

Strong distribution channels

MSTC has established two channels of sales, viz trading division and e-commerce division. Use of e-commerce portals of the company has helped the division to expand its reach and enhance business volumes. MSTC also has branch offices spread all over the country and regional offices which act as sales hubs for the company, controlling the sales activities for the region. These offices focus on use of e-portals & e-procurement and market the same, besides carrying on usual marketing.

Stable source of revenue from service income

MSTC earns stable service income through the e-commerce business and sales done through facilitator mode (majorly raw material for secondary steel producers and petrochemical industry). The income through service charges was marginally lower at Rs.264.52 crore in FY19 vis-à-vis Rs.275.63 crore in FY18 on account of lower volume of trading business through facilitator mode.

Improvement in profitability in 9MFY20

MSTC's total operating income witnessed a growth by around 20% from Rs.2,453.26 crore in FY18 to Rs.2,961.94 crore in FY19. Though the operating income increased, the company incurred operational loss primarily due to provisions/write-offs of Rs.542.08 crore during the year on past debtors. The capital charges were lower during the year with lower interest cost due to low



working capital borrowings. However, with operational losses the company reported net loss of Rs.324.47 crore in FY19 as against net profit of Rs.76.63 crore in FY18.

The performance improved in 9MFY20 and the company reported net profit of Rs.79.16 crore on total operating income of Rs.782.77 crore vis-à-vis net loss of Rs.348.07 crore on total operating income of Rs.2,225.17 crore in 9MFY19. The decrease in operating income was mainly due to sharp decline in trading sales with increased focus on e-commerce business. Accordingly, the profitability also improved with higher proportion from e-commerce, lower finance costs and decrease in provisions for bad debt to Rs.8.92 crore in 9MFY20 (Rs.493.34 crore in 9MFY19).

Key Rating Weaknesses

Ongoing litigations against the company

During FY09, MSTC exported gold jewellery worth Rs.638.21 crore to 46 customers based in UAE Singapore and Kuwait through six jewellery manufacturers/merchants (called Associates) based in Mumbai. Out of this, foreign export bills for about Rs.184.66 crore were sold to Standard Chartered Bank (SCB) under factoring arrangement without recourse. The due date of payments from Dubai based customers was due in 2009 and the debtors didn't honor the payment commitment.

MSTC had filed legal suits aggregating Rs.658.40 crore in different forums against the 46 buyers. The company has got judgement in its favour for all the 46 cases and approached the appropriate courts for execution. However, no payment has been received so far.

Against the total amount of receivables purchased by SCB, a balance amount of Rs.143.62 crore remained outstanding as on March 31, 2019. SCB had insured the total amount of receivables purchased by them with ICICI Lombard (ICICIL) in case of a default in payment by the debtors. SCB had filed a suit against ICICIL in the Hon'ble Bombay High Court for payment of claim and has got ex-parte decree in its favour. ICICI Lombard subsequently had filed allowed a Notice of Motion setting aside the ex-parte decree. The matter is presently subjudice.

MSTC has shown liability in its books for Rs.143.62 crore (as borrowings) and interest payable of Rs.78.89 crore (as contingent liability) as on March 31, 2019 (same as on March 31, 2018).

In FY19, DRT had ordered a payment of Rs.222.51 crore by MSTC to SCB and had also attached all immovable properties of MSTC. MSTC filed an appeal against the DRT order with Appellate tribunal (DRAT) and the said order was withdrawn and a review application was filed with DRT. On further rejection of review by DRT, MSTC filed a writ petition with Hon'ble High Court (HC), Mumbai. On May 3, 2019, HC quashed DRT's order and restored review application with DRT. SCB, then filed a Special Leave Petition with Hon'ble Supreme Court (SC) of India, seeking stay on HC



order. The SC vide its order dated January 21, 2020 has set aside the order of the HC. The auction on October 10, 2019 was cancelled as there were no bidders. The next date for recovery proceedings was March 23, 2020. However, the proceedings did not happen due to lockdown in Mumbai on account of Covid-19. Any unfavorable outcome of the legal proceedings impacting the debt coverage indicators is a key rating sensitivity.

Moderate capital structure albeit significant decrease in debt levels

The total debt decreased significantly from Rs.2,753.76 crore as on March 31, 2018 to Rs.704.58 crore as on March 31, 2019 on account of lower working capital utilisation. The decrease in debt levels was on account of reduced transactions under acceptances. However, with loss incurred during FY19, the tangible networth decreased substantially from Rs.561.86 crore as on March 31, 2018 to Rs.207.62 crore as on March 31, 2019.

Debt-equity ratio was negligible at 0.03x as on March 31, 2019 as against nil as on March 31, 2018 as the company availed term loans for new office building. Despite significant decrease in debt levels, the overall gearing ratio (including acceptances) improved only from 4.90x as on March 31, 2018 to 3.39x as on March 31, 2019 due to simultaneous decrease in networth.

The debt coverage indicators were also impacted for FY19 with losses incurred. However, excluding the bad debts written off, the PBILDT interest coverage was satisfactory.

The total debt further decreased and stood at Rs.468.35 crore as on December 31, 2019 with decrease in working capital borrowings. Thus, with improvement in profitability and decrease in debt the debt coverage indicators improved during 9MFY20. The interest coverage and TD/GCA stood at 6.55x and 3.60x as on December 31, 2019.

High collection period

There were certain debtors in the books of MSTC which have been pending for long and were doubtful for recovery. The company provided for Rs.493 crore of such doubtful receivables during FY19. With write-offs and recoveries the total receivables decreased significantly in absolute terms from Rs.3,842.21 crore as on March 31, 2018 to Rs.1,720.01 crore as on March 31, 2019. However, the average collection period remained relatively stable at 128 days in FY19 vis-a-vis 134 days in FY18 due to significant decrease in adjusted total income with lower business volumes in facilitator mode. The total receivables though decreased, remained high at ~1,447 crore as on December 31, 2019.

MSTC has discontinued cash and carry model and is majorly doing procurement under BG backed model. Under the BG model, the customer provides upfront BG and the material is directly



shipped to the customer thereby reducing the warehouse and custodian charges. The new model is likely to improve the debtor's profile of the company. The same has also led to decrease in acceptance based creditors as under cash and carry model MSTC financed the purchase of industrial bulk raw materials on behalf of its buyers which was partially backed by LCs & secured deposits. Accordingly, payables period decreased from 88 days in FY18 to 76 days in FY19. The working capital cycle remained stable at 52 days in FY19 vis-a-vis 48 days in FY18.

Significant dependence on few large customers

The revenues of the company from trading line of business constituted 88% in FY19 vis-à-vis 81% in FY18. Whereas, the top 3 customers of MSTC in trading segment contributed about 88% of total revenue in FY19 vis-à-vis 77% in FY18.

Intense competition and low operating margin

Trading industry is highly fragmented with a few large PSUs and a large number of private players in the fray. Accordingly, the company faces intense competition which impacts its profitability. The company is now focusing on e-commerce segment which has led to improvement in profitability during the current year.

Liquidity: Adequate

The liquidity position of the company is adequate with adequate cash accruals as against low repayment obligations of Rs.5 crore annually. The average month end fund based utilization during last 10 months (ending January'20) was low at about 32%. Further, the company also had free cash & bank balance of Rs.98.50 crore as on March 31, 2019 and Rs.76 crore as on September 30, 2019, which provides cushion in times of stress.

Analytical approach: Standalone

Applicable Criteria



[CARE's Policy on Default Recognition](#)
[Criteria for Short Term Instruments](#)
[Criteria on assigning 'outlook' and 'credit watch' to Credit Ratings](#)
[Rating Methodology – Service Sector Companies](#)
[Financial Ratios - Non Financial Sector](#)
[Rating Methodology- Wholesale Trading](#)

About the Company

MSTC, a Mini-Ratna Category-I Public Sector Undertaking (PSU) of GoI, was set up in September, 1964 for regulating export of ferrous scrap from India. Currently, the company is under the Ministry of Steel, GoI and is engaged in trading of various items in both the domestic and global markets and e-commerce services viz. e-auctions and e-procurement services.

Brief Financials (Rs. Crore)	FY18 (A)	FY19 (A)
Total operating income	2453.26	2961.94
PBILDT	330.89	-210.39
PAT	76.63	-324.47
Overall gearing (times)	4.90	3.39
Interest coverage (times)	2.25	-3.28

A: Audited

Status of non-cooperation with previous CRA: Not Applicable.

Any other information: Not Applicable.

Rating History for last three years: Please refer Annexure-2

Annexure-1: Details of Facilities

Name of the Instrument	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Non-fund-based - ST-BG/LC	-	-	-	3992.00	CARE A3+
Fund-based - ST-Bills discounting/ Bills purchasing	-	-	-	400.00	CARE A3+
Fund-based - ST-Bills discounting/ Bills purchasing	-	-	-	488.00	CARE A3+
Fund-based - LT-Cash Credit	-	-	-	620.00	CARE BBB; Stable

Annexure-2: Rating History of last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating history			
		Type	Amount Outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2019-2020	Date(s) & Rating(s) assigned in 2018-2019	Date(s) & Rating(s) assigned in 2017-2018	Date(s) & Rating(s) assigned in 2016-2017
1.	Non-fund-based - ST-BG/LC	ST	3992.00	CARE A3+	1)CARE A3+ (03-Apr-19)	1)CARE A3+ (04-Apr-18)	1)CARE A3+ (26-Apr-17)	1)CARE A3+ (12-Apr-16)
2.	Fund-based - ST-Bills discounting/ Bills purchasing	ST	400.00	CARE A3+	1)CARE A3+ (03-Apr-19)	1)CARE A3+ (04-Apr-18)	1)CARE A3+ (26-Apr-17)	1)CARE A3+ (12-Apr-16)
3.	Fund-based - ST-Bills discounting/ Bills purchasing	ST	488.00	CARE A3+	1)CARE A3+ (03-Apr-19)	1)CARE A3+ (04-Apr-18)	1)CARE A3+ (26-Apr-17)	1)CARE A3+ (12-Apr-16)
4.	Fund-based - LT-Cash Credit	LT	620.00	CARE BBB; Stable	1)CARE BBB; Stable (03-Apr-19)	1)CARE BBB; Stable (04-Apr-18)	1)CARE BBB; Stable (26-Apr-17)	1)CARE BBB (12-Apr-16)

Note on complexity levels of the rated instrument: CARE has classified instruments rated by it on the basis of complexity. This classification is available at www.careratings.com. Investors/market intermediaries/regulators or others are welcome to write to care@careratings.com for any clarifications.

Contact us

Media Contact

Name: Mradul Mishra
Contact no: +91-22-6837 4424
Email ID: mradul.mishra@careratings.com

Analyst Contact

Name: Ms Mamta Muklania
Contact no. : 033-4018 1651/98304 07120
Email ID: mamta.khemka@careratings.com

Business Development Contact

Name: Mr. Lalit Sikaria
Contact no. : 033-40181607
Email ID: lalit.sikaria@careratings.com

About CARE Ratings:

CARE Ratings commenced operations in April 1993 and over two decades, it has established itself as one of the leading credit rating agencies in India. CARE is registered with the Securities and Exchange Board of India (SEBI) and also recognized as an External Credit



Assessment Institution (ECAI) by the Reserve Bank of India (RBI). CARE Ratings is proud of its rightful place in the Indian capital market built around investor confidence. CARE Ratings provides the entire spectrum of credit rating that helps the corporates to raise capital for their various requirements and assists the investors to form an informed investment decision based on the credit risk and their own risk-return expectations. Our rating and grading service offerings leverage our domain and analytical expertise backed by the methodologies congruent with the international best practices.

Disclaimer

CARE's ratings are opinions on the likelihood of timely payment of the obligations under the rated instrument and are not recommendations to sanction, renew, disburse or recall the concerned bank facilities or to buy, sell or hold any security. CARE's ratings do not convey suitability or price for the investor. CARE's ratings do not constitute an audit on the rated entity. CARE has based its ratings/outlooks on information obtained from sources believed by it to be accurate and reliable. CARE does not, however, guarantee the accuracy, adequacy or completeness of any information and is not responsible for any errors or omissions or for the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by CARE have paid a credit rating fee, based on the amount and type of bank facilities/instruments. CARE or its subsidiaries/associates may also have other commercial transactions with the entity. In case of partnership/proprietary concerns, the rating /outlook assigned by CARE is, inter-alia, based on the capital deployed by the partners/proprietor and the financial strength of the firm at present. The rating/outlook may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor in addition to the financial performance and other relevant factors. CARE is not responsible for any errors and states that it has no financial liability whatsoever to the users of CARE's rating.

Our ratings do not factor in any rating related trigger clauses as per the terms of the facility/instrument, which may involve acceleration of payments in case of rating downgrades. However, if any such clauses are introduced and if triggered, the ratings may see volatility and sharp downgrades.

